

110 FERC ¶ 61,184

UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Pat Wood, III, Chairman;  
Nora Mead Brownell, Joseph T. Kelliher,  
and Suede G. Kelly.

San Diego Gas and Electric Company

Docket Nos. ER05-354-000 and  
ER05-354-001

ORDER ACCEPTING TARIFF RATES  
FOR RELIABILITY SERVICES CHARGES

(Issued February 25, 2005)

1. On December 17, 2004, as supplemented on December 28, 2004, San Diego Gas and Electric Company (San Diego) filed its forecast revenue requirement and proposed rates for its Transmission Owner Tariff (TO Tariff) Year 2005 Reliability Services costs. As discussed below, the Commission accepts San Diego's rates for Reliability Services costs, and grants waiver of the Commission prior notice requirements to allow the rates to become effective January 1, 2005, as requested. This order allows San Diego to update its balancing account rates for Reliability Services while protecting customers' rights.

**Background**

2. Under the transmission tariff of the California Independent System Operator Corporation (CAISO), San Diego must pay the CAISO for Reliability Services costs incurred by the CAISO in providing transmission service. These Reliability Services costs include: (1) Reliability Must Run (RMR) costs; (2) Out of Market (OOM) costs; and, (3) Minimum Load (MLC) costs.<sup>1</sup> These costs are paid by the CAISO to the owners of generating facilities that provide the services to the CAISO.

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<sup>1</sup> RMR costs are incurred when designated generating units are called upon to meet minimum requirements for local grid reliability. OOM costs are the costs the CAISO incurs when it must call upon a unit not bid into the market. MLC costs are incurred from units committed under the must-offer obligation for local reliability requirements.

3. San Diego then passes these costs through to its customers as follows. It records the Reliability Services costs billed to it by the CAISO in bimonthly increments from December 1 through November 30 in its Reliability Service Balancing Account. The Reliability Services Balancing Account is a mechanism that ensures that San Diego neither over-collects nor under-collects from its Reliability Services costs it has to pay to the CAISO. Each year, San Diego determines a Reliability Services Revenue Requirement, and develops rates to collect that amount from its End Use customers, as well as Wholesale Customers serving load in its service area.

4. San Diego explains that, for RMR, CAISO identifies generating units needed to ensure the local reliability of its grid on an annual basis. CAISO contracts with the owners or operators of these generating units, which are designated as RMR units, to ensure that CAISO can dispatch the units to meet minimum requirements for local grid reliability. CAISO bills the costs of the RMR units in San Diego's service territory to San Diego. San Diego states that OOM costs occur when CAISO faces market intervention or a system emergency and uses a resource that has not bid into the market. San Diego is charged the costs above the market clearing price if the CAISO OOM action is attributable to San Diego's service territory. San Diego notes that the method of allocating MLC costs to San Diego is currently pending in Docket No. ER04-835-000.

### **San Diego's Proposed Reliability Services Costs**

5. San Diego proposes a Reliability Services revenue requirement for 2005 of approximately \$200,000,000. San Diego explains that while the OOM and MLC costs are small, RMR costs have increased dramatically in the past years. According to San Diego, RMR costs more than doubled during the 2002 to 2003 period, increasing from \$33 million to \$89 million. San Diego expects RMR costs to increase to over \$165 million for calendar year 2004.<sup>2</sup> It details how the increased Reliability Services costs are used to develop a Reliability Services cost of service; discusses the allocation of the Reliability Services cost of service to its single wholesale customer; explains how Reliability Services costs are allocated to its retail customer classes; discusses retail customer rate design and customer rate increase effects; and describes how it intends to refund money to its street lighting customer class due to an allocation mistake that was applied to Reliability Services rates in effect during the year 2004.

6. San Diego requests waiver of the Commission's prior notice requirement to allow the Reliability Services revenue requirement and the proposed rates to become effective January 1, 2005.

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<sup>2</sup> San Diego Transmittal letter at 3.

### **Notice of Filing and Pleadings**

7. Notice of San Diego's December 17 filing was published in the *Federal Register*, 70 Fed. Reg. 803 (2005), with protests and interventions due on or before January 7, 2005. Notice of San Diego's December 28 supplemental filing was published in the *Federal Register*, 70 Fed. Reg. 4,177 (2005), with protests and interventions due on January 31, 2005. The California Public Utilities Commission filed a notice of intervention. Pacific Gas and Electric Company and the California Electricity Oversight Board (California Board) filed timely motions to intervene. California Board also submitted comments regarding San Diego's filing.

8. California Board notes the magnitude of the increase in this year's Reliability Services costs. While this increase in the Reliability Services balancing account may be a one-time event, the higher balance might signal the need to adopt a mid-year true-up mechanism or other methodology in order to avoid rate shock to electric customers in San Diego's service territory.<sup>3</sup> According to California Board, some interim monitoring mechanism would be useful in determining whether the increase in San Diego's Reliability Services costs is ongoing. Accordingly, California Board requests the Commission to require San Diego to report its Reliability Service Balancing Account balance based upon a quarterly, or some other appropriate measurement period.

### **Discussion**

#### **Procedural Matters**

9. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2004), the notice of intervention and timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

#### **Commission Determination**

10. We find that San Diego's forecast revenue requirement and proposed rates for its TO Tariff Year 2005 Reliability Services costs appear to be just and reasonable and consistent with the TO Tariff rate methodology, and have not been shown to be unjust, unreasonable, unduly discriminatory or preferential or otherwise unlawful. Therefore, we will accept the filing, effective January 1, 2005.<sup>4</sup>

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<sup>3</sup> California Board at 2.

<sup>4</sup> The CAISO's method of allocating MLC costs to transmission owners is pending in Docket No. ER04-835-000. See *California Independent System Operator Corp.*, 108 FERC ¶ 61,022 (2004). We note that if a new method for allocating MLC  
(continued...)

11. We will not impose an interim information filing requirement on San Diego, as requested by California Board. San Diego's filing is consistent with the current terms and conditions of its TO Tariff.<sup>5</sup> If California Board, or any other interested party, needs to monitor the RMR, OOM and MLC costs incurred by CAISO that will be passed on to transmission owners during the year, they may request this information from CAISO or San Diego from time to time as needed. The California Board also requests a mid-year true-up of these costs. Because the current mechanism contains a true-up mechanism and is an approved provision of the tariff and because the concerns raised by California Board are speculative, we will not require a change now to the tariff. However, we would expect San Diego to be diligent in its continuing review of these costs and should actual costs be significantly different than forecasted, we would expect San Diego to voluntarily submit a revised filing.<sup>6</sup>

12. San Diego requests waiver of the Commission's 60-day prior notice requirement to permit the January 1, 2005 effective date. We find that, because this filing seeks effective dates that are prescribed by a pre-existing agreement on file with and accepted by the Commission, waiver of notice is appropriate in this instance. Consistent with our precedent, we will grant San Diego's request for waiver and allow the proposed rates to become effective as requested.<sup>7</sup>

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costs is finalized in that proceeding, that may affect San Diego's pass-through of MLC costs for the year 2005, and San Diego may be required to adjust these costs in a future Reliability Services rate filing.

<sup>5</sup> Appendix VI, section 3, of San Diego's TO Tariff states that "[s]ubsequent to the establishment of the initial RS revenue requirement, the revenue requirement and associated RS charges shall be revised annually effective on January 1 of each year. To implement this annual revision, the Participating TO shall file with the FERC for a revision the RS revenue requirement and RMR Charges in December of the year prior to January 1 of the following calendar year..."

<sup>6</sup> See, e.g., *San Diego Gas & Electric Company*, Docket No. ER04-1078-000, unpublished delegated letter order dated September 22, 2004 (The Commission accepted an out-of-period adjustment by San Diego to its Transmission Revenue Balancing Account in order to mitigate a large rate adjustment reflecting increased charges from the CAISO to San Diego.). See also, *Southern California Edison Company*, 109 FERC ¶ 61,127 (2004) (The Commission accepted an out-of-period adjustment by SoCal Edison to increase, among other things, its Reliability Services Revenue Requirement and associated rates.).

<sup>7</sup> See *Central Hudson Gas & Electric Corp.*, 60 FERC ¶ 61,089 (1992).

The Commission orders:

(A) San Diego's proposed tariff sheets reflecting its 2005 Reliability Services rates are hereby accepted for filing, as designated, as discussed in the body of this order, subject to the outcome in Docket No. ER04-835-000.

(B) Waiver of the Commission's 60-day prior notice requirement is granted in order to allow the Reliability Services rates to become effective January 1, 2005.

By the Commission.

( S E A L )

Magalie R. Salas,  
Secretary.